


United States Department of Agriculture  
Farm Service Agency



2013 Women in Ag  
**FARM LOAN PROGRAMS**

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**GUARANTEED LOAN PROGRAM**

- FSA guaranteed loans provide lenders with a guarantee of up to 95% of the loss of principal and interest on a loan
- An FSA guarantee allows lenders to make loans that do not meet their normal underwriting criteria.
- Maximum loan limit of \$1,302,000.

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**DIRECT LOAN PROGRAM**

- Farm Operating loans
  - Annual production
  - Term loans for machinery, equipment and/or breeding livestock
  - Youth loans
- Farm Ownership (real estate).
- Emergency Loans
- Microloans

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Type of Loan	Max. Loan Amount	Terms	Feb. 2013 Interest Rate
Farm Operating Loan	\$300,000	1 to 7 yrs	1.125%
Regular Farm Ownership Loan	\$300,000	Up to 40 yrs	3.125%
Joint Financing Farm Ownership Loan	\$300,000	Up to 40 yrs	5.00%
Beginning Farmer/Rancher/SDA Farm Ownership Down Payment Loan	\$225,000	20 yrs	1.50%
Emergency Loans	The lowest of the following: <ul style="list-style-type: none"> <li>• 100% of actual or physical losses</li> <li>• \$500,000</li> </ul>	<ul style="list-style-type: none"> <li>• 1 to 7 yrs (non-RE)</li> <li>• Up to 40 yrs (RE)</li> </ul>	2.125%

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### Beginning Farmer/Rancher

- An individual or entity who has not operated a farm or ranch more than 10 years.
- For Farm Ownership purposes:
  - Must have been operating for at least 3 years but not more than 10 years.
  - Does not own a farm or ranch greater than 30% of the median size farm /ranch in the county the RE is located in.

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### SOCIALLY DISADVANTAGED PERSONS

- Each fiscal year the Agency targets a portion of direct and guaranteed funds for farm ownership (FO) and operating loans to socially disadvantaged persons (SDA)
- Socially disadvantaged farmers or ranchers are Women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americas and Pacific Islanders.

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### OPERATING LOANS

- Annual inputs (1 year term)
- Purchase livestock, equipment, etc (1 to 7 year term)
- Refinance debts
- Maximum loan amount \$300,000 combined

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### YOUTH LOANS

- Applicant must reside in a rural area, city or town with a population of 50,000 or fewer people
- Between age of 10 and 20 years old
- Modest, income producing, ag-related, educational project while participating in 4-H, FFA or a similar organization
- Maximum loan amount \$5,000 and terms can be from 1 to 7 years.

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### DOWN PAYMENT FO LOAN

- Must be a beginning farmer/rancher/SDA
- Must have 5% cash down payment
- FSA provides 45% of the purchase price or appraised value, whichever is less.
- FSA maximum loan amount \$225,000

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### DOWN PAYMENT FO LOAN

- FSA loan is at a fixed rate of greater of FO regular interest rate less 4% or 1.50% min
- Commercial lender or private party provides remainder with a minimum amortization of 30 years.
- FSA will take a second lien on only the farm to be purchased.

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### JOINT FINANCING FO LOAN

- Can be beginning or non-beginning farmer/rancher
- FSA provides 50% of the purchase price or appraised value, whichever is less
- Commercial lender or private party provides remainder
- FSA will take a second lien and must obtain 150% security for the loan if available

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### EMERGENCY LOANS

- Restore or replace essential property
- Pay production costs (disaster year)
- Pay essential family living expenses
- Refinance debts (w/certain limitations)
- \$500,000 maximum
- Rates and Terms
  - Interest rate – Feb. 2013 - 2.125%
  - 1 to 7 years – non RE purposes
  - Up to 40 years for physical losses on real estate

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### LAND CONTRACT GUARANTEE PROGRAM

- Purchase Price can be up to \$500,000
- FSA offers two types of guarantees
  - Prompt payment Guarantee
  - Standard Guarantee
- Minimum 5% down payment by buyer
- Interest rate not to exceed D-FO rate plus three percentage points
- Min. terms of 20yrs and equal payments

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### FARM STORAGE FACILITY LOANS

- Build or upgrade farm storage and handling facilities
- A 15% cash down payment is required
- CCC loan is limited to 85% of the net cost of the eligible facility
- Maximum loan is \$500,000 per loan

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### ELIGIBILITY

- Produce an eligible facility loan commodity
- Demonstrates repayment ability
- Not delinquent on non-tax federal debt
- Demonstrates a storage need
- Provides proof of multi-peril crop insurance
- Demonstrates compliance with USDA provisions for HEL and wetlands
- Has not been convicted of a controlled substance violation

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### ELIGIBLE COMMODITIES

- Corn, grain sorghum, rice, soybeans, oats, peanuts, wheat, barley or minor oilseeds harvested as whole grain and other-than-whole grain
- Pulse crops – lentils, chickpeas and dry peas
- Hay
- Renewable Biomass
- Fruits (includes nuts) and vegetables- cold storage facilities.

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### ELIGIBLE FACILITIES

- New conventional cribs, bins, oxygen-limiting or flat-type storage structures
- New permanently affixed grain handling and grain drying equipment
- New Electrical equipment – Excluding installation of electrical service to the electrical meter
- New concrete foundations, aprons, pits, and pads
- New Quality monitoring equipment
- New bunker-type, horizontal or open silo structures

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### ELIGIBLE FACILITIES cont.

- Eligible facilities added:
  - New structures suitable for storing hay
  - New structures suitable for storing renewable biomass
  - New cold storage buildings, including prefabricated buildings, suitable for storing fruits and vegetables.
- New structures with a useful life of at least 15 years.

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## RATES AND TERMS

- Total principal amount term options for FSFL's are as follows:
  - \$100,000 or less the term is 7 years only
  - \$100,000.01 to \$250,000, the borrower can specify 7 or 10 years
  - \$250,000.01 to \$500,000, the borrower can specify 7,10 or 12 years
- FSFL Interest Rates (February 2013)
  - 7 year term - 1.25%
  - 10 year term - 1.875%
  - 12 year term - 2.125%

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## SECURITY REQUIREMENTS

- All loans must be secured by a promissory note and security agreement, as well as a UCC-1 describing the storage facility and equipment
- For loans that exceed \$100,000 or the borrower's aggregate outstanding loan balance exceeds \$100,000, the borrower must:
  - provide a first lien on real estate where the facility is located
  - real estate owned by the borrower other than where the facility is located, provided the RE offered is sufficient to secure the loan.
  - Letter of Credit from financial institution.

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## FSA's Microloan Program

The Farm Service Agency (FSA) developed the Microloan (ML) program to better serve the unique financial operating needs of beginning, niche and the smallest of family farm operations. Examples; direct marketing to restaurants and grocery stores, organic production, community supported agriculture (CSA's) and farmers markets.

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## Fulfilling a Need

- Assisting applicants who have limited experience by providing them with an opportunity to gain farm management experience while working with a mentor;
- Eliminate use of high cost personal loans and high interest credit cards;
- Providing a bridge for Youth Loan borrowers to transition to larger-scale operations;
- Assisting the agricultural community by creating opportunities to start new businesses.



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## What is a Microloan?

**Microloans** are direct farm operating loans, either annual or term, that do not exceed \$35,000. Microloans have a simplified application process and paperwork and verification requirements that are more proportional to smaller loans and operations.

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## An Overview

Microloans can be used for operating expenses including but not limited to:

- Initial start-up expenses;
- Annual expenses such as seed, fertilizer, utilities, land rents;
- Marketing and distribution expenses;
- Family living expenses;
- Purchase of livestock, equipment, and other materials essential to farm operations;
- Minor farm improvements such as wells and coolers;
- Hoop houses to extend the growing season;
- Essential tools;
- Irrigation;
- Delivery vehicles.

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## Managerial Ability and Alternatives

### Got Experience?

Applicants not meeting the general requirement for farm management and experience may still be eligible.

Alternatives include an apprentice relationship; past participation with organizations such as FFA, 4-H, Beginning Farmer programs, and Community Based Organizations; even prior small business management experience combined with a self-directed apprenticeship can allow applicant to start farming with a Microloan.

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## Security

o For an annual operating purpose, such as purchasing seed, fertilizer and other crop input costs, these loans are generally secured by the crop or products produced, however equipment or other security can be used.

o Loans for other purposes such as purchasing equipment or foundation livestock are usually secured by the equipment or livestock being purchased but other types of security can be used.

All loans need adequate security.




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### In Summary: Microloans

- Are a direct operating loan with a maximum loan amount of \$35,000.
- Have a shortened application process and reduced paperwork.
- Allow some applicants that do not currently meet the experience and managerial requirements to qualify through a self-guided mentorship.

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### In Summary: Microloans

- Provide some flexibility in loan security;
- Assist the agricultural community by creating opportunities to start new businesses;
- Fulfill financial operating needs of beginning, niche and the smallest of family farm operations.

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# ANY QUESTIONS ???

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